

Today's finance directors are so accustomed to signing off expensive benefits packages that they often don't notice how much all these pensions, cars, health club memberships, life assurances, extended holidays, mobile phones and so on are costing their businesses.

Paul Bibby, MD of Elements, a specialist accounting and financial services recruitment consultancy, says, "A suite of staff benefits can cost between 5% and 7% of payroll and although you can achieve significant National Insurance savings by using the salary sacrifice concept, it's still vital that you ensure the benefits you offer your staff are also benefiting your business."

FDs continue to sanction this expenditure because they accept the widely held belief that happy employees are more productive and that benefits make employees happy. But is this true?

Happy cows

The evidence suggests that this is partially true; happier employees are more productive. Simon Jefferies, director at HR consultancy Berkshire Consultancy, points to the Contented Cows study in the US by leading workplace experts, Bill Cattellette and Richard Hadden. "Over a decade, they studied ten companies with a good reputation

for looking after their employees and ten with an average reputation. Sales growth at the 'contented cows' companies was more than four times that at the 'common cows' companies. The 'contented cows' companies were nearly \$40bn (£20.3bn) better off at the end of the period," he says.

"A survey in 2006 among 1,322 UK working adults by leading disability insurer UnumProvident found that happy workers are much less likely to take time off work due to sickness. Just over half of those employees who said they were completely happy with their jobs reported that they had taken no time off work in the past year, compared with an average national absence rate of 5.2 days. This contrasts with an average sickness absence of 6.2 days off for those highly dissatisfied with their jobs.

However, that research also found that benefits have little effect on whether or not employees are happy. Joanne Hindle, corporate services director of UnumProvident, says, "Employers and employees may be surprised to see that salary and benefits rate so far down the list of important attributes for overall job satisfaction. It seems that happiness in the workplace is not strongly related to money, share options and company cars."

Research from HR consultancy Chiumento supports the idea that benefits might not make

employees happy. Of the 1,060 UK employees questioned by Chiumento in 2006, 73% cited good relationships with colleagues as the main reason for enjoying work. Only 48% cited financial rewards. In fact, benefits did not even make it into the top eight factors that respondents said make them happy at work.

Creating happiness

So, if benefits are ineffective at making employees happy and therefore more productive, how can a company achieve this? June Williams, director at Investors in People, offers this advice: "A common management assumption is that perks are the best way to reward staff. In fact, what really motivates employees and enhances their loyalty to their employer is the content of the job they do and the opportunity to keep developing their skills.

"Offering a sustained programme of training and development, along with a strategy to ensure consistent employee involvement in company progress can, therefore, provide a valuable channel for maintaining employee commitment and enhancing their contribution to the organisation. Ensuring that these measures are in place can be very effective at keeping people motivated and productive."

FDs might then be forgiven for thinking that they have been wasting their money on benefits. If all these benefits have no bearing on employee happiness or productivity then what is the point of having them? Surely they would be better off re-assigning the expenditure to improved management training?

Not entirely. While in the Chiumento research benefits did not appear on the list of eight factors that makes people happy at work, the absence of benefits did appear on the list of factors that make people unhappy at work. Employees are now so used to their perks that taking them away could be very demotivating.

Furthermore, benefits are useful for attracting and retaining talent. Mark Channon of financial recruitment specialist Hewitson Walker, says, "In a buoyant recruitment market, employers are constantly looking for ways to differentiate themselves and attract the best candidates, and benefits packages are consequently playing an increasingly important role."

Every employee will also think twice about walking away from the security of a pension, healthcare insurance, life assurance and so on. So, while they may do little to increase company productivity, benefits do still have an important role to play and it seems likely that FDs will have to keep gritting their teeth and signing off all those expensive packages.

The good news is that our next article looks at how to get more value out of benefits by telling employees what they're worth. ■

Alex Blyth

SHINY HAPPY WORKERS

Can benefits packages make employees more productive, or are they an overrated perk and an unnecessary expense?



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